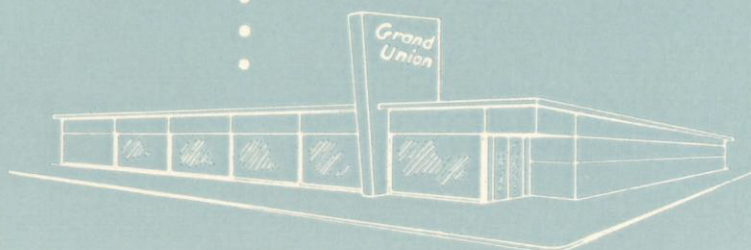


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THE
GRAND UNION
COMPANY
ANNUAL REPORT 1949



THE GRAND UNION COMPANY

Executive Offices • 50 Church Street, New York, N. Y.

OFFICERS

LANSING P. SHIELD, *President*

HUGH J. DAVERN, *Vice President*

GARLAND MILBURN, *Vice President*

JOHN K. DAVENPORT, *Vice President*

LOUIS C. WADMOND, *Vice President*

THOMAS C. BUTLER, *Secretary-Treasurer*

DIRECTORS

THOMAS C. BUTLER

JOHN K. DAVENPORT

HUGH J. DAVERN

LOUIS A. GREEN

IRVING KAHN

E. CLARK MAUCHLY

LANSING P. SHIELD

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Transfer Agent

GUARANTY TRUST COMPANY OF NEW YORK
140 Broadway • New York, N. Y.

Registrar

BANK OF NEW YORK & FIFTH AVENUE BANK
48 Wall Street • New York, N. Y.

1949 ANNUAL REPORT

Highlights of the year

Sales were highest in company history.

Earnings increased from \$1,777,972 in 1948 to \$2,165,320 in 1949.

Seventeen new super markets were put into operation.

Over 1,600 of more than 5,700 employees advanced to more responsible and more remunerative jobs.

Warehouse facilities —

For Meats were expanded 400%;

For Groceries are being enlarged 64%.

Dividends were paid at the rate of one dollar per share in cash plus five per cent in capital stock.

Lansing P. Shield, President



To Our Stockholders:

This Annual Report brings to you the story of the greatest year in Grand Union's history.

Sales of \$135,002,540 represent an increase of 16% over the previous year's volume of \$116,069,097. Earnings after taxes were \$2,165,320 equal to \$4.12 a share on 525,583 shares as against \$3.38 a share (on an adjusted basis) for the previous year.

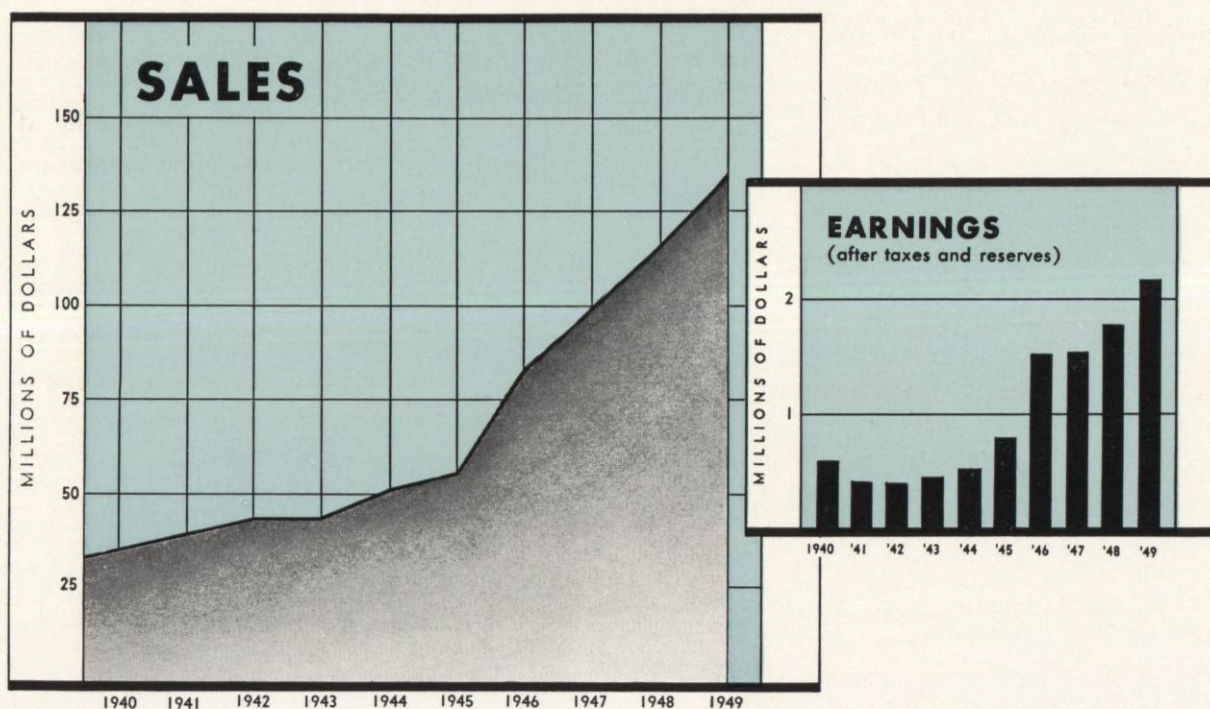
Elsewhere, you will find outlined other significant accomplishments of the year: the new supermarkets built and stores remodeled, new personnel policies adopted, sales promotions used, and some of the records the company has set. You will find financial data in simple form which will give you a true picture of the financial stability of the company.

Cash dividends of \$1.00 per share and a stock dividend of 5% were paid during the year. At a recent directors' meeting,

there was declared a 10% stock dividend, in addition to the regular quarterly 25-cent cash dividend, both to be distributed on May 26th.

Grand Union's development program this year again has been financed through earnings retained in the business and without impairment of working capital. While this necessarily has restricted cash disbursements to stockholders, it has resulted in greatly strengthening the competitive position of the company and the equity of the stockholders. The policy of installing pre-packaged, self-service meat departments and Food-O-Mats both in new and remodeled stores is being continued.

Plans for 1950 call for a continuation of expansion and growth at a slightly accelerated rate. In addition to opening new large supermarkets, a considerable number of the older stores will be re-



modeled. We again invite our stockholders, who are also customers, to comment on the operation of our markets and write us any suggestions they may have for improvement or for new market locations in the area served by the Chain Store Division.

Changes in the pattern of organization of the Route Division have measurably strengthened that branch of the business, and continued progress this year is anticipated. The all-time high cost of coffee has been a problem during the year and presumably will continue to be an adverse factor during the coming months.

Last year's balance sheet showed a reserve of \$500,000 which was provided during the years 1943-1946 against contingencies, particularly declining commodity markets. Although it is expected that inventory losses from declining prices will be incurred from time to time, it is felt that these

losses can be absorbed against current operations as they occur. Accordingly, this reserve for contingencies and a smaller reserve of \$30,735 for unredeemed premium tickets have been incorporated in the unappropriated earnings account in this year's financial statement.

It is encouraging to report to you that Grand Union's sales for the first six weeks of the new fiscal year are running over 14% ahead of last year in contrast to the rest of the chain store food industry which, as a whole during this period, showed little or no sales gains.

Future prospects of the business may be more accurately appraised if there is some measure of the human side of the operation. On other pages of this Annual Report, references are made to efforts to encourage greater personal accomplishments by employees. To the extent that over-all

efficiency is improved by this means, all groups increasingly will benefit: customers, employees, and stockholders, alike. Customers will benefit by superior services and lower prices. Employees, too, will be rewarded both in greater income and security. Stockholders will profit from higher company earnings. In this manner, Grand Union becomes a symbol of how companies may render a substantial public service and at the same time operate profitably for all

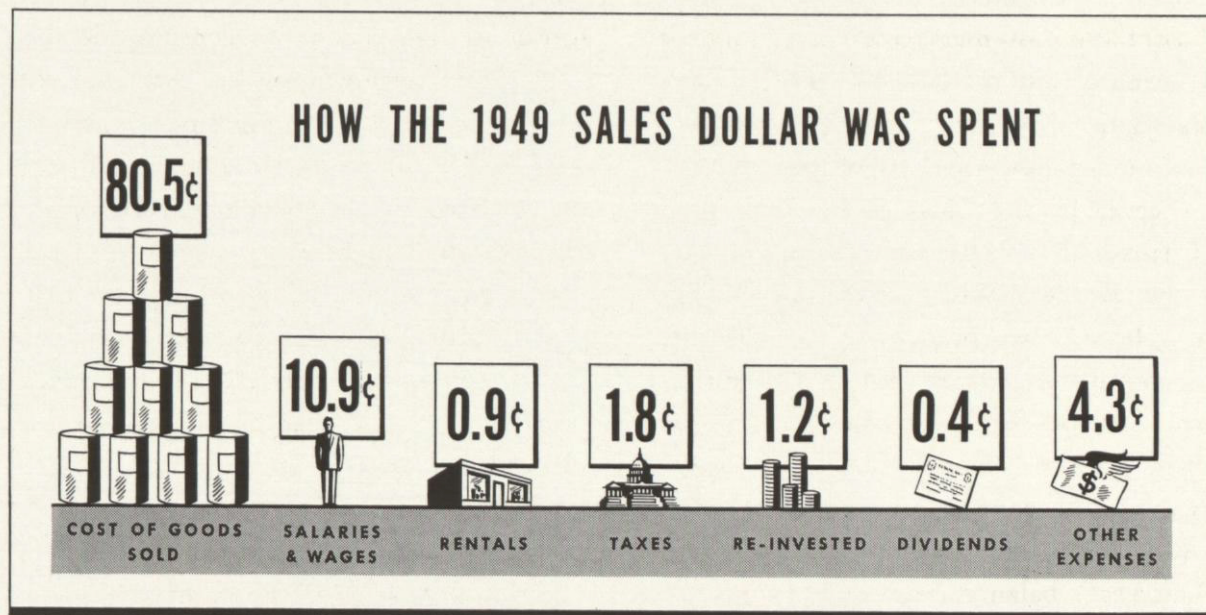
concerned within the framework of the private enterprise system.

Special comment should be made of the most loyal and competent cooperation of personnel throughout the entire organization.

During the year, the constructive counsel of the members of the Board of Directors and the loyal support of the stockholders have contributed substantially to the growth of Grand Union.

Laurens P. Shivers

President



THE GRAND UNION COMPANY

AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

WORKING CAPITAL:	Feb. 25, 1950	Feb. 26, 1949
Current assets:		
Cash	\$ 3,567,628	\$ 3,543,526
United States Government securities	1,500,000	1,000,000
Accounts receivable, less allowance for losses \$123,687 in 1950, \$123,877 in 1949	922,480	856,545
Inventories at the lower of cost or market:		
Merchandise	9,273,013	7,927,828
Premiums	897,910	1,058,692
	<u>\$16,161,031</u>	<u>\$14,386,591</u>
Less, Current liabilities:		
Bankers acceptances	\$ 428,853	\$ 375,921
Accounts payable, accrued expenses, etc.	3,955,901	3,183,996
Provision for federal income taxes	1,694,571	1,392,980
	<u>\$ 6,079,325</u>	<u>\$ 4,952,897</u>
Working capital	<u>\$10,081,706</u>	<u>\$ 9,433,694</u>
OTHER ASSETS:		
Fixtures and equipment, at cost, less allowance for depreciation \$2,052,417 in 1950, \$1,730,455 in 1949	\$ 5,044,841	\$ 4,094,661
Real estate and miscellaneous investments	262,190	205,499
Premiums advanced to customers, less allowance for losses \$156,016 in 1950, \$160,867 in 1949	854,723	910,852
Expense supplies, prepaid expenses, etc.	532,847	462,624
Good will	1	1
	<u>\$16,776,308</u>	<u>\$15,107,331</u>
Deduct:		
Note payable (Note A)	\$ 3,500,000	\$ 3,500,000
Employees' fidelity deposits	191,255	184,066
Reserve for self-insurance	72,517	56,994
Reserve for unredeemed premium tickets	—	30,735
NET ASSETS	<u>\$13,012,536</u>	<u>\$11,335,536</u>
DERIVED FROM:		
Capital stock, \$10 par value, authorized 900,000 shares, issued 526,190 shares in 1950, 501,162 in 1949	\$ 5,261,900	\$ 5,011,620
Capital surplus (Notes B and C)	212,738	—
Earnings retained for use in the business less transfers for stock dividends, etc. (Note A):		
Appropriated as a reserve for contingencies	—	500,000
Unappropriated, as annexed	7,541,520	5,827,492
	<u>\$13,016,158</u>	<u>\$11,339,112</u>
Less, Treasury stock at cost, 607 shares in 1950, 605 in 1949	3,622	3,576
	<u>\$13,012,536</u>	<u>\$11,335,536</u>

(The notes on page 6 are an integral part of this statement)

THE GRAND UNION COMPANY

AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND EARNINGS RETAINED FOR USE IN THE BUSINESS

	Fifty-two Weeks Ended	
	Feb. 25, 1950	Feb. 26, 1949
OUR SALES OF MERCHANDISE TO CUSTOMERS WERE	\$ 135,002,540	\$ 116,069,097
THIS MERCHANDISE COST US	108,629,927	93,630,112
Leaving a GROSS PROFIT OF	\$ 26,372,613	\$ 22,438,985
OUR OPERATING EXPENSES COMPRISED:		
Salaries, commissions and bonuses to employees in our sales departments	\$ 13,178,039	\$ 11,604,762
Rents for retail outlets	1,217,828	1,028,619
Advertising, delivery and other selling expenses	5,531,534	4,543,492
Administrative and general expenses	1,533,762	1,389,838
Taxes, other than federal income	756,651	546,022
Contributions under employees' retirement plan	133,000	175,000
Provisions for bad debts and losses on premiums advanced to customers	128,145	120,223
	\$ 22,478,959	\$ 19,407,956
	\$ 3,893,654	\$ 3,031,029
OTHER DEDUCTIONS (including interest expense), net, were	108,334	28,057
Leaving income before provision for federal income taxes of	\$ 3,785,320	\$ 3,002,972
WE PROVIDED FOR FEDERAL INCOME TAXES	1,620,000	1,225,000
Leaving NET INCOME OF	\$ 2,165,320	\$ 1,777,972
EARNINGS RETAINED FOR USE IN THE BUSINESS AT THE BEGINNING OF THE PERIOD WERE	5,827,492	4,728,300
	\$ 7,992,812	\$ 6,506,272
We transferred from:		
Appropriated earnings	500,000	
Reserve for unredeemed premium tickets	30,735	
	\$ 8,523,547	
From this total we deducted:		
Dividends:		
In cash	519,009	486,650
In capital stock (Note B)	463,018	—
Transfer to capital stock on reclassification and increase therein at July 30, 1948 (Note C)		192,130
LEAVING EARNINGS RETAINED FOR USE IN THE BUSINESS AT END OF PERIOD (Note A)	\$ 7,541,520	\$ 5,827,492

(The notes on page 6 are an integral part of this statement)

NOTES TO FINANCIAL STATEMENTS

- A. The note of \$3,500,000 bears interest at $3\frac{3}{8}\%$ per annum, matures on December 1, 1962 and is subject to an annual prepayment requirement of \$250,000 commencing in 1952. Under certain conditions the note may be prepaid in whole or in part at the option of the company, with or without a premium, depending upon the circumstances.

The note agreement provides, among other things, that: (1) the company will not permit consolidated working capital at any time to be less than \$4,500,000 and (2) without consent of the holder of the note, the company will not pay or declare any dividend (except stock dividends) or acquire any of its outstanding stock (except to the extent offset by certain sales of its stock), if, by so doing, the aggregate of all such dividends and stock acquisitions declared or made after August 30, 1947 would exceed 75 per cent of the net earnings after that date. At February 25, 1950, 75 per cent of the net earnings of the company since August 30, 1947 was approximately \$2,225,000 in excess of the aggregate of cash dividends and capital stock acquisitions since that date.

- B. A stock dividend of five per cent (aggregating 25,028 shares) was paid to stockholders of record May 9, 1949. In this connection \$463,018, representing 25,028 shares priced on the basis of the closing market price on that day, was transferred from retained earnings. Of this total \$250,280 (25,028 shares at \$10 par) was added to capital stock and the balance of \$212,738 transferred to capital surplus.
- C. On July 30, 1948 the authorized capital was reclassified and increased from 400,000 shares without par value to 900,000 shares of the par value of \$10 per share, and each of the 222,738-12/15 shares then issued and outstanding was reclassified and changed into $2\frac{1}{4}$ shares of new \$10 par capital stock, with adjustment for resulting fractional shares. In connection with this change, the capital stock account was increased from \$4,322,248 to \$5,011,620 by transfers of \$497,242 from capital surplus (the balance in this account at the beginning of the fifty-two weeks ended February 26, 1949) and \$192,130 from earned surplus.
- D. The Company has 85 leases expiring after February 28, 1953; the minimum annual rentals on such leases aggregate approximately \$625,000.
- E. Costs and expenses include depreciation of \$738,289 and \$560,352 for the periods ending in 1950 and 1949, respectively.

AUDITORS' REPORT

THE GRAND UNION COMPANY, NEW YORK, N. Y.

We have examined the consolidated statement of financial position of The Grand Union Company and its Subsidiaries as of February 25, 1950 and February 26, 1949 and the related consolidated statement of income and earnings retained for use in the business for the fifty-two week periods then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of financial position and related statement of income and earnings retained for use in the business present fairly the consolidated financial position of The Grand Union Company and its subsidiaries at February 25, 1950 and February 26, 1949 and the consolidated results of their operations for the fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, April 18, 1950.

Growth Through Employee Progress

At the end of 1949, over 5,700 Grand Union employees were serving more than a million customers a week. The accomplishments of these people are the strength of the company. The employees have been encouraged to become participants in the business and to be enterprisers in their own right.

Employees collaborate in company policy making through monthly meetings of a Management Board composed solely of representatives from the stores. Many of the recommendations made by this group are highly constructive and often novel. The top executive staff either adopts these recommendations or submits to the Management Board a written explanation of the reasons why they are impractical.

Participation in policy making in itself is not enough. Those who contribute to the fruits of labor should share in them. That means, among other things, sharing of the profits. Profit sharing is just plain good business. It is a way that labor, management and stockholders can profit together as a team in the public service.

All store managers and almost everyone in the Route Division are on a carefully worked out profit-sharing plan. Profit-sharing payments to field personnel in 1949 were the highest on record. It is significant that Grand Union earnings have been mounting ever since the plan was established.

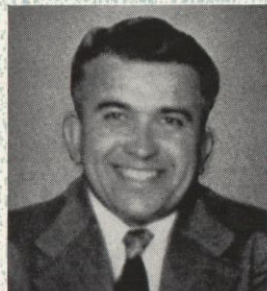
As further incentive to greater productivity, provision is made for workers to participate in the fruits of their labor through pension payments after they can no longer work.

Still another factor in stepping up productivity is the training-for-opportunity program. Not only are new employees





Wilbur Lauderback, Route Salesman in South Bend, Indiana, quadrupled earnings in three years. He knows the direct relation between his greater earnings and the superior service he gives his customers.



Lawrence E. DeForge built his route in less than a year to the point where he earned promotion to District Manager of the Barre, Vt. Branch. He states his experience proves there is greater reward for greater production.



K. F. Milliman stepped up from Route Salesman to District Manager to Regional Manager of the Grand Rapids, Mich., Branch since the war. His next objective is "Tops in Division 5 and Tops in Grand Union."



Grover H. Charest has climbed the ladder from Route Salesman to Division General Manager of Division I in New England, one of the best in the company. His success personifies the opportunity in the Route Division.

taught Grand Union's methods and procedures, but present employees are prepared to step into the job up the ladder. The records for the year show that over 1,600 fellow workers moved into positions of greater responsibility and remuneration.

Other measures taken during the year to cause the worker to feel that management is sincerely interested in his welfare include providing increased protection under our insurance program and the establishment of a "Courtesy Store of the Month" award. The latter makes possible appropriate recognition of outstanding consideration for customers by any "store team."

These opportunities for advancement and improved earnings came about through company growth. There were seventeen new super markets opened. Twelve markets were completely renovated and modernized. Partial remodeling of many others was completed. This included adding or enlarging departments, installing new equipment such as Food-O-Mats or Meaterias, and streamlining service equipment. At the close of the year, 66 markets with Food-O-Mats were in operation; there were also 66 markets (not necessarily the same) with Meaterias.

During the year, there was a continuing drive to bring higher quality products at lower cost to the constantly growing family of Grand Union customers. Today customers expect a steadily widening variety of items as well as superior quality. At the end of the year there was a net increase of 230 items stocked in the warehouses. These additions were made only after careful study and test. They are products which bring added convenience and new variety to the housewife's table.

Paralleling expansion of the Chain Store Division, the Route Division operations were further strengthened. Sales and earnings per route were higher than last year.

Enlarged sales accentuated the need for expanding service facilities. A meat warehouse was acquired in New York City with four times the capacity of the old warehouse. Plans were completed to almost double the capacity of the principal grocery warehouse at Carlstadt, N. J. When completed within the next few months, this will be one of the largest grocery warehouses in the East. Under one roof, it will provide for unloading ten freight cars and loading twelve tractor trailers simultaneously.

From the time goods are received in the warehouse until they are in the hands of our customers, it takes men and management. It takes team work and cooperation. The smoothness of that team work and the cooperation of fellow workers constitute essential ingredients in this process. Everyone on the Grand Union team—from the newest clerk to the manager or executive with long service—is an integral element of its success. They are The Grand Union Company to many of the customers. They are the people who see to it that the merchandise is kept fresh and attractive. They are the people who cause customers to like us—and come back to shop next week. They are the people who go into the homes of route customers—and are invited back again to bring them attractive premiums and merchandise values.

The results of efforts for greater productivity are summarized in the headlines of the company's institutional and public relations advertisements. "Everybody shares the Grand Union way." "Opportunity for all at Grand Union." "Grand Union shares profits with customers." "Security for all at Grand Union."

Thus, Grand Union sells more than just groceries—it sells the American way of doing business—and it proves a profitable way for Grand Union and its stockholders.



William Toumey rose from Checker to Store Manager in less than two years with earnings more than doubled.



Robert Chiasson, one of the first employees in the Training Program, manages the Horseheads store which last year had the greatest grocery sales increase in the Division.

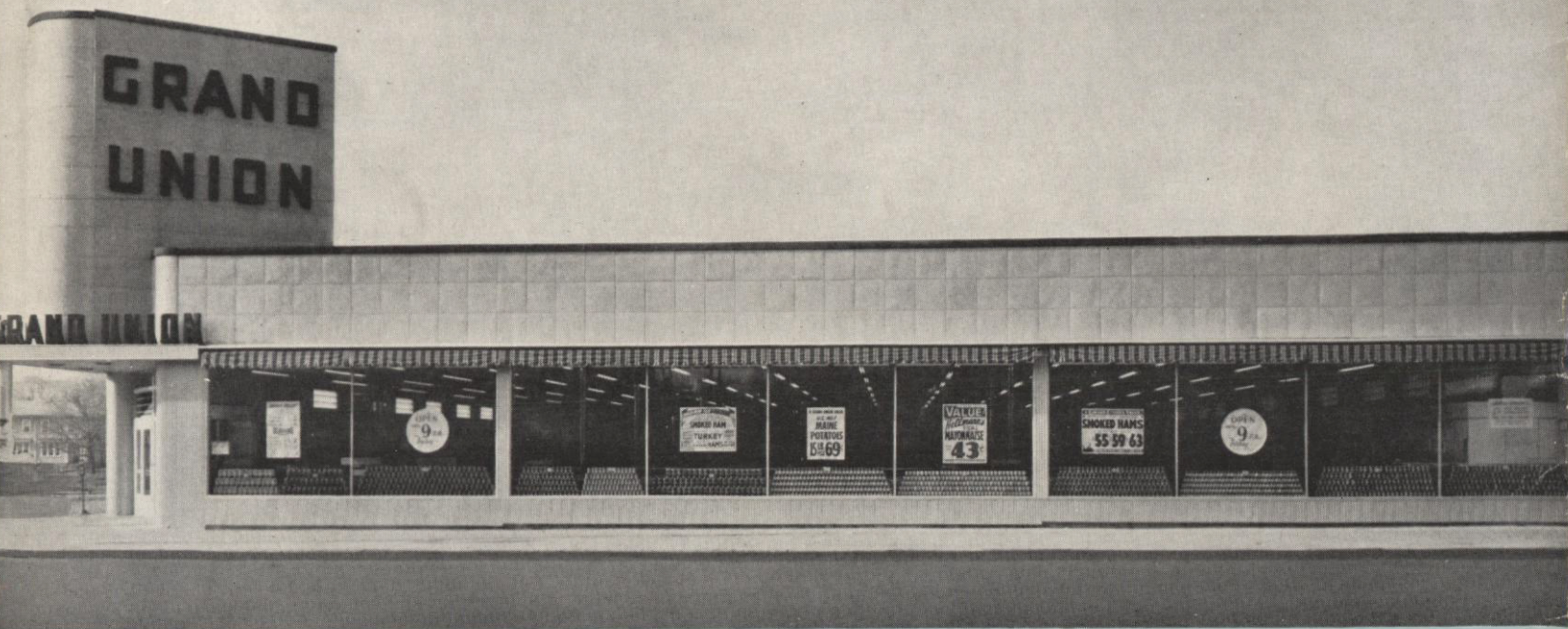


Walter Eggers, who started as a Clerk is now District Sales Manager. His greater productivity is reflected in a five-fold increase in income.



Byron Cronin, newest Division General Manager, was promoted step by step from a starting point as a small store Meat Manager.

**A TYPICAL
NEW
GRAND UNION
SUPER MARKET**



IN 1949 SEVENTEEN NEW STORES WERE OPENED